



Kip Memmott
Division Director

November 5, 2024

Leah Feldon, Director
Oregon Department of Environmental Quality
700 NE Multnomah St
Portland, Oregon 97232

Dear Leah Feldon:

We have completed audit work of selected financial accounts at your department for the year ended June 30, 2024. This audit work was not a comprehensive financial audit of the department, but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

255 Capitol St NE, Ste 180
Salem, Oregon 97310

LaVonne Griffin-Valade
Oregon Secretary of State

Cheryl Myers
Deputy Secretary & Tribal Liaison

Information (503) 986-2255
sos.oregon.gov/audits

Significant Deficiency

Improve review of transactions

Criteria: OAM 10.15.00.PO.103

State accounting policy requires management develop procedures to ensure transactions are correctly recorded in the state's accounting system for financial reporting purposes. During our testing we noted an error resulting in an understatement of current loans receivable and an overstatement of non-current loans receivable totaling \$16,247,110. This error was not identified during the department's review process and management indicated it was due to a data entry error.

We recommend department management improve review procedures to ensure transactions are properly recorded.

The above significant deficiency, along with your response for the finding, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2024. Please prepare a response to the finding and include the following information as part of your corrective action plan:

1. Your agreement or disagreement with the finding. If you do not agree with the audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
2. The corrective action planned.
3. The anticipated completion date.
4. The name(s) of the contact person(s) responsible for corrective action.

Please provide a response to Michelle Searfus by November 12, 2024, and provide Rob Hamilton, State Controller, a copy of your Corrective Action Plan.

The purpose of this letter is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control. Accordingly, this letter is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Michelle Searfus, Audit Manager, or Katie Hull, Lead Auditor, at michelle.n.searfus@sos.oregon.gov or katie.hull@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Shannon Davis, Deputy Director
Matthew Davis, Policy and External Relations
Brian Boling, Central Services Administrator
Anne Marie Murphy, Accounting Manager
Charles Judd IV, Chief Audit Executive
Berri Leslie, Director, Department of Administrative Services
Robert Hamilton, State Controller, Department of Administrative Services